

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA



FILED
09/07/18
04:59 PM

Application of Southern California Gas
Company (U 904 G) and San Diego Gas &
Electric Company (U 902 G) For Authority
to Revise their Curtailment Procedures

A.15-06-020

**JOINT PARTIES' PETITION FOR MODIFICATION
OF DECISION 17-11-021 TO EXTEND THE
SECOND DAILY BALANCING SETTLEMENT**

John W. Leslie
Dentons US LLP
4655 Executive Drive, Suite 700
San Diego, California 92121
Tel: (619) 699-2536
Fax: (619) 232-8311
E-Mail: john.leslie@dentons.com

Attorneys for Shell Energy North
America (US), L.P.

Date: September 7, 2018

and on behalf of the Joint Parties

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

Application of Southern California Gas
Company (U 904 G) and San Diego Gas &
Electric Company (U 902 G) For Authority
to Revise their Curtailment Procedures

A.15-06-020

**JOINT PARTIES' PETITION FOR MODIFICATION
OF DECISION 17-11-021 TO EXTEND THE
SECOND DAILY BALANCING SETTLEMENT**

Pursuant to Rule 16.4 of the Commission's Rules, Shell Energy North America (US), L.P. ("Shell Energy"), and on behalf of the "Joint Parties,"¹ hereby submits this Joint Petition for Modification ("PFM") of Decision (D.) 17-11-021 (November 30, 2017).² The Joint Parties propose, through this PFM, to extend the termination date of the currently effective Settlement Agreement Regarding Daily Balancing Issues ("Second Daily Balancing Settlement") from

¹ The Joint Parties include: California State University, California Manufacturers & Technology Association, California League of Food Producers, City of Long Beach Gas & Oil Department, City of Vernon, Clean Energy Fuels Corp., Commercial Energy, Indicated Shippers (including Chevron U.S.A. Inc., ConocoPhillips Corp., CRC Marketing, PBF Energy, Phillips 66 Company, and Tesoro Refining & Marketing Company LLC), Tenaska Marketing Ventures, Direct Energy, Interstate Gas Supply, Inc., Just Energy Solutions, Inc., NRG Energy, Inc., Pacific Summit Energy LLC, Shell Energy, Southern California Generation Coalition, Tiger Natural Gas, University of California, Western Power Trading Forum, Public Advocates Office at the California Public Utilities Commission (formerly the Office of Ratepayer Advocates), and the California Independent System Operator.

² In accordance with Rule 1.8(d) of the Commission's Rules of Practice and Procedure, the undersigned attorney for Shell Energy has been authorized to submit this PFM on behalf of the Joint Parties.

November 30, 2018 (which is the termination date established in D.17-11-021), to the implementation date of a final Commission decision in Application (A.) 18-07-024 (which date is anticipated to be January 1, 2020). Docket No. A.18-07-024 is the currently pending Southern California Gas Company (“SoCalGas”) and San Diego Gas and Electric (“SDG&E”) Triennial Cost Allocation Proceeding (“TCAP”).

The termination date of the Second Daily Balancing Settlement was previously extended from March 31, 2017, to November 30, 2017, by D.17-03-020 (March 23, 2017), and from November 30, 2017, to November 30, 2018, by D.17-11-021. The Joint Parties’ PFM, if granted, will extend the termination date of the Second Daily Balancing Settlement as currently set forth in Ordering Paragraphs 2, 3 and 4 of D.17-11-021. This extension will provide for continuation of agreed upon operational provisions on the SoCalGas/SDG&E system while the Commission considers more durable operational changes through the SoCalGas/SDG&E TCAP.

This Joint PFM is filed within one year after the date of the Commission decision (D.17-11-021) that the Joint Parties seek to modify. Owing to the need for the Commission to act on this PFM before the Second Daily Balancing Agreement terminates on November 30, 2018, the Joint Parties have filed, concurrently with this PFM, a request to shorten the time for filing responses to the PFM.

I.

BACKGROUND

The Second Daily Balancing Settlement traces its roots to a “Motion for Interim Order to Establish Daily Balancing Requirements” that was submitted by SoCalGas and SDG&E in this proceeding on March 1, 2016. Following numerous comments on and objections to the SoCalGas/SDG&E motion, on April 14, 2016, an Assigned Commissioner’s Amended Scoping Memo and Ruling was issued in this proceeding, which added the following matter to the scope of this proceeding:

The issues to be addressed in this proceeding are expanded to include the need for temporarily establishing five percent daily balancing on the SoCalGas and SDG&E systems to address operational constraints at the Aliso Canyon storage field.³

Following an April 20, 2016 prehearing conference (“PHC”), on April 29, 2016, SoCalGas, SDG&E, and 24 other parties file a Joint Motion for Adoption of Daily Balancing Proposal Settlement (“First Daily Balancing Settlement”). The First Daily Balancing Settlement was approved by the Commission in D.16-06-021 (June 9, 2016). The First Daily Balancing Settlement was effective through November 30, 2016.

In D.16-06-021, the Commission established a subsequent phase of this proceeding “to consider reliability measures that may be needed beyond November 30, 2016, in the event that by that date: (1) Aliso Canyon has not returned to at least 450 million cubic feet per day (MMcfd) of injection capacity and 1,395 MMcfd of withdrawal capacity, consistent with the service levels set forth in Section 2 of the Settlement, or (2) working inventory at Aliso Canyon is not at least 45 Billion Cubic Feet.”⁴ In D.16-06-021, the Commission directed parties to “meet in good faith to address reliability measures that may be needed beyond November 30, 2016, through clarification sessions, informal meetings, and/or Rule 12 settlement discussions”⁵

On October 20, 2016, SoCalGas and SDG&E filed, in this proceeding, a “Joint Motion for Adoption of Second Daily Balancing Proposal Settlement Agreement” The Joint Motion was approved and adopted by the Commission in D.16-12-015 (December 1, 2016). A copy of the Second Daily Balancing Settlement is appended to D.16-12-015. Relevant tariff modifications to implement the Second Daily Balancing Settlement were made by Tier 1 advice letters filed by SoCalGas and SDG&E on December 1, 2016, and the Second Daily Balancing Settlement was effective the same day.

³ A.15-06-020, Assigned Commissioner’s Amended Scoping Memo and Ruling at p. 2.

⁴ D.16-06-021 at p. 14.

On February 16, 2017, SoCalGas, SDG&E, and numerous other parties filed a “Joint Petition for Modification of D.16-12-015,” in which the parties requested modification of D.16-12-015 to extend the termination date of the Second Daily Balancing Settlement from March 31, 2017 to November 30, 2017. The Commission granted the joint petition in D.17-03-020 (March 23, 2017).

Thereafter, on September 8, 2017, SoCalGas, SDG&E, and numerous other parties filed a second Joint Petition for Modification of D.16-12-015. The second joint petition requested modification of D.16-12-015 (as modified by D.17-03-020) to extend the termination date of the Second Daily Balancing Settlement from November 30, 2017, to November 30, 2018. The Commission granted the joint petition in D.17-11-021.

Since the adoption of D.17-11-021, operational conditions on the SoCalGas system have not improved. Constraints at the Aliso Canyon storage field continue to limit injections and withdrawals, and are likely to continue beyond November 30, 2018. Moreover, transmission outages on multiple SoCalGas backbone and local transmission pipelines have continued to limit deliveries on the SoCalGas system, thereby exacerbating the problems associated with limitations on the use of Aliso Canyon storage. In order to maintain the operational stability provided through the Second Daily Balancing Settlement, the Joint Parties request that the Commission extend these settlement provisions on a temporary basis beyond November 30, 2018, subject to existing “off-ramps” as set forth in the Second Daily Balancing Settlement.

II.

SUMMARY OF PROPOSED MODIFICATIONS TO D.17-11-021

The Joint Parties propose to extend the term of the Second Daily Balancing Settlement. As explained below, this extension is necessary because the conditions at Aliso Canyon remain

⁵ Id.

uncertain, and because numerous outages on backbone and local transmission pipelines constrain deliveries to the SoCalGas system. The operational provisions of the Second Daily Balancing Settlement are necessary to bridge the gap between the current termination date (November 30, 2018) and the implementation date of a Commission decision in A.18-07-024 (TCAP).

The Joint Parties request modification to three Ordering Paragraphs in D.17-11-021. First, the Indicated Parties propose to modify Ordering Paragraph 2 to extend the term of the Second Daily Balancing Settlement from November 30, 2018 until the implementation date following a final Commission decision in A.18-07-024. The first sentence of Ordering Paragraph 2 should be modified to state that the Second Daily Balancing Settlement “is approved for implementation and extended to the implementation date of a final Commission decision in A.18-07-024.”

Second, the Joint Parties propose conforming changes to Ordering Paragraphs 3 and 4 of D.17-11-021 to substitute “the implementation date of a final Commission decision in A.18-07-024” for “November 30, 2018” in both paragraphs. Ordering Paragraph 3, which was based on language from the Second Daily Balancing Settlement adopted by the Commission in D.16-12-015 and modified by D.17-03-020 and D.17-11-021, currently provides: “Southern California Gas Company and San Diego Gas & Electric Company shall file a Tier 1 Advice Letter after November 30, 2018 to remove the temporary provisions that were granted by this decision from their tariffs.” The Joint Parties propose to replace “November 30, 2018” with “until the implementation date of a final Commission decision in A.18-07-024.”

Ordering Paragraph 4, which was not a part of the Second Daily Balancing Settlement, but was included in D.16-12-015 and modified by D.17-03-020 and D.17-11-021, currently provides: “In the event that Aliso Canyon storage field does not return to at least 450 million cubic feet per day (MMcfd) of injection capacity and 1,395 MMcfd of withdrawal capacity by

November 30, 2018, which is the date the terms of the Settlement Agreement is set to expire, Southern California Gas Company and San Diego Gas & Electric Company shall take all reasonable efforts to seek a long-term solution to the system reliability issues which are present at Aliso Canyon storage field.” The Joint Parties propose to replace “November 30, 2018” with “until the implementation date of a final Commission decision in A.18-07-024.”

III.

THE PFM SHOULD BE GRANTED TO MAINTAIN CURRENT OPERATIONAL PROTOCOLS TO PROVIDE A BRIDGE TO IMPLEMENTATION OF THE SOCALGAS/SDG&E TCAP

The Joint Parties propose these modifications to D.17-11-021 because operational constraints at the Aliso Canyon storage field are likely to continue beyond November 30, 2018. In D.17-11-021, in Ordering Paragraph 4, the Commission affirmed and extended a requirement that if Aliso Canyon is not restored to a minimum amount of storage injection and withdrawal capacity by November 30, 2018, SoCalGas and SDG&E must “take all reasonable efforts to seek a long-term solution to the system reliability issues which are presented at [the] Aliso Canyon storage field.” Decision at pp. 13-14. SoCalGas and SDG&E have taken a step toward such a “long-term solution” through submission of its TCAP proposals in A.18-07-024. SoCalGas and SDG&E’s TCAP proposals include a “storage proposal” that adjusts the amount of storage injection, withdrawal and inventory allocated to the “load balancing” function. The utilities’ TCAP storage proposal also allocates storage inventory capacity to a new “reliability” function.

These TCAP storage proposals, in combination, present the utilities’ proposed approach to address system reliability issues in light of continuing limitations on the availability of Aliso Canyon. Intervenors will examine the reasonableness of the utilities’ TCAP proposals and present alternatives. As the utilities’ TCAP storage proposal is scrutinized in detail through the

TCAP proceeding, the Second Daily Balancing Settlement should be extended in order to maintain operational stability and system reliability. The Second Daily Balancing Settlement should continue to serve as a “bridge” to implementation of the “long-term solution to the system reliability issues which are presented at [the] Aliso Canyon storage field,” which the Commission referenced in D.17-11-021.

By extending the Second Daily Balancing Settlement, the Commission will maintain operational provisions that have provided a level of stability on the SoCalGas system for the past two years while Aliso Canyon limitations have been in place, and more recently, while major transmission system outages have persisted on SoCalGas’ backbone and local transmission pipelines. The provisions of the Second Daily Balancing Settlement should be extended until a new structure is in place to address critical system reliability issues, including balancing and OFOs. A new proposed reliability framework is being advanced by the utilities through the TCAP, and will be critiqued by intervening parties. The Second Daily Balancing Settlement should be extended until the TCAP proposals, as modified and/or enhanced, can be implemented.

For example, the Commission should continue the low OFO mitigation measures set forth in Section 5 (a through c) of the Second Daily Balancing Settlement. These provisions waive low OFO noncompliance charges for electric generation customers and other customers under specified conditions, including on OFO days when SoCalGas limits (cuts) previously scheduled backbone nominations during any of the Intraday 1 cycles, or when the CAISO steps in to reallocate dispatched electric generation load to help maintain gas system reliability and integrity. These provisions should not be allowed to lapse during the time when the Commission considers SoCalGas and SDG&E’s TCAP proposals and related proposals by other stakeholders.

Similarly, the Commission should extend, as bridge measures, provisions in Section 6, 8, 9, 10 and 11 of the Second Daily Balancing Settlement, because these provisions, individually and collectively, clarify and enhance the daily balancing rules on days when an OFO is instituted. These features of the Second Daily Balancing Settlement: provide the market with greater transparency regarding the likelihood of an OFO (Section 6(b)); provide greater accuracy by allowing more time at the end of a Day for SoCalGas to assess the need to call an OFO on the following Gas Day (Section 8); provide customers, shippers and in-State producers the opportunity to trade scheduled quantities on the day after the Gas Day when an OFO is instituted (Sections 9 and 10); and provide a more timely and accurate forecast of core load upon which SoCalGas bases its core load forecast for balancing purposes on an OFO day (Section 11).

All of these provisions can and should be extended while the Commission considers the proposals advanced by SoCalGas and SDG&E (and by other parties) in the TCAP, as well as proposals that SoCalGas, SDG&E and other stakeholders may pursue in other proceedings. Extending the Second Daily Balancing Settlement provisions for an interim period will enable customers and suppliers to continue to rely upon the tools necessary to address the limitations at Aliso Canyon, as well as the transmission pipeline disruptions which continue to plague the SoCalGas system.

Furthermore, the Commission now has before it the Order Instituting Investigation (“OII”) addressing the feasibility of minimizing or eliminating the use of Aliso Canyon while still maintaining energy and electric reliability for the Los Angeles region (I.17-02-002). Although it is uncertain what the outcome of this OII will be, it is reasonable for the Commission to maintain the provisions of the Second Daily Balancing Settlement until there is greater clarity as to whether, and if so how, SoCalGas’ use of Aliso Canyon will continue to be limited (or terminated).

An extension of the Second Daily Balancing Settlement until the implementation date following a final Commission decision in A.18-07-024 will allow the current operational provisions to remain in effect on a temporary basis until a durable operational solution is adopted. Given the current situation at the Aliso Canyon storage field, as well as the continuing outages on SoCalGas transmission pipelines, it is in all parties' interest to extend the temporary provisions of the Second Daily Balancing Settlement.⁶

IV.

SPECIFIC PROPOSED MODIFICATIONS TO D.17-11-021

Section II.B.2 of the Second Daily Balancing Settlement provided the following:

For provisions that refer to the Settlement term, the term of this Settlement is defined to begin upon adoption by the Commission and to conclude upon the earlier of: (1) any superseding decision or order by the Commission, (2) the return of Aliso Canyon to at least 450 MMcfd of injection capacity and 1,395 MMcfd of withdrawal capacity, or (3) March 31, 2017.

Without changing any other aspect of the Second Daily Balancing Settlement, the Joint Parties seek to leave in place the temporary provisions approved in D.16-12-015 and extended by D.17-03-020 and D.17-11-021. An extension would be accomplished by revising Ordering Paragraphs 2, 3 and 4 of D.17-11-021 to extend the term of the Second Daily Balancing Settlement to the implementation date of a final Commission decision in A.18-07-024. Accordingly, the Joint Parties propose the following limited (redlined) changes:

Ordering Paragraphs

2. The "Second Daily Balancing Proposal Settlement Agreement" (Settlement), set forth as Attachment 2 to this decision, is approved for implementation and extended to ~~November 30, 2018~~ the implementation date of a final Commission decision in A.18-07-024.

⁶ Pursuant to the Second Daily Balancing Settlement, the temporary provisions granted by D.16-12-015 would be removed from the tariffs before November 30, 2018 should there be any superseding decision or order by the Commission or should Aliso Canyon return to at least 450 MMcfd of injection capacity and 1,395 MMcfd of withdrawal capacity. D.16-12-015, Section 2, para. 2, p. 6, and Ordering Paragraph 1.

3. Southern California Gas Company and San Diego Gas & Electric Company shall file a Tier 1 Advice Letter after ~~November 30, 2018~~ the implementation date of a final Commission decision in A.18-07-024 to remove the temporary provisions that were granted by this decision from their tariffs.

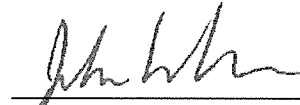
4. In the event that Aliso Canyon storage field does not return to at least 450 million cubic feet per day (MMcfd) of injection capacity and 1,395 MMcfd of withdrawal capacity by ~~November 30, 2018~~ the implementation date of a final Commission decision in A.18-07-024, which is the date the terms of the Settlement Agreement is set to expire, Southern California Gas Company and San Diego Gas & Electric Company shall take all reasonable efforts to seek a long-term solution to the system reliability issues which are present at Aliso Canyon storage field.

V.

CONCLUSION

For the reasons set forth above, the Joint Parties respectfully request that the Commission modify D.17-11-021 to extend the Second Daily Balancing Settlement to the implementation date of a final Commission decision in A.18-07-024.

Respectfully submitted,



John W. Leslie
Dentons US LLP
4655 Executive Drive, Suite 700
San Diego, California 92121
Tel: (619) 699-2536
Fax: (619) 232-8311
E-Mail: john.leslie@dentons.com

Attorneys for Shell Energy North
America (US), L.P.

Date: September 7, 2018

and on behalf of the Joint Parties